



Arkansas

Benefits From Exports

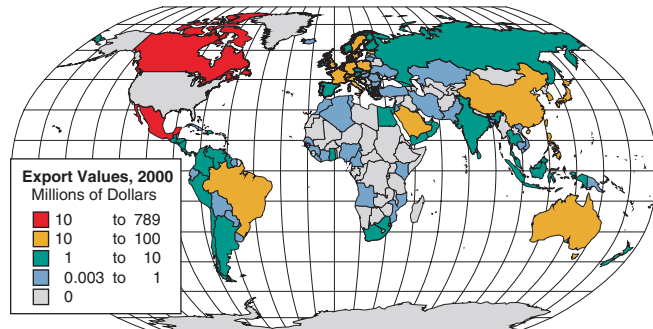
Arkansas export sales of merchandise for the year 2000 totaled \$2.07 billion, up 13.1 percent from 1999 and 86 percent higher than the state's 1993 total of \$1.11 billion. Arkansas' growth in export sales over the 1993–2000 period was significantly above the 68 percent increase in overall U.S. merchandise exports.

Arkansas exported globally to 134 foreign destinations in 2000. The state's leading markets, by far, are the North American Free Trade Agreement (NAFTA) countries of Canada (\$789 million in export sales—38 percent of 2000 exports) and Mexico (\$349 million—17 percent). These two markets alone accounted for 55 percent of Arkansas' merchandise exports in 2000. Rounding out the state's top ten markets are Hong Kong, Japan, France, Belgium, the United Kingdom, Sweden, Germany, and Australia.

Mexico is by far Arkansas' biggest growth market, viewed in terms of dollar gains in exports. From 1997 to 2000, the state's exports to Mexico grew from \$141 million to \$349 million—an increase of \$208 million. The second-largest dollar increase was in sales to France, which jumped from \$46 million to \$86 million. Arkansas also recorded sizable dollar gains in exports to Sweden, Belgium, and Jamaica.

ARKANSAS EXPORTED GOODS WORTH \$2.1 BILLION TO 134 FOREIGN MARKETS IN 2000

Dollar Value of Arkansas' Merchandise Exports to Foreign Markets, 2000



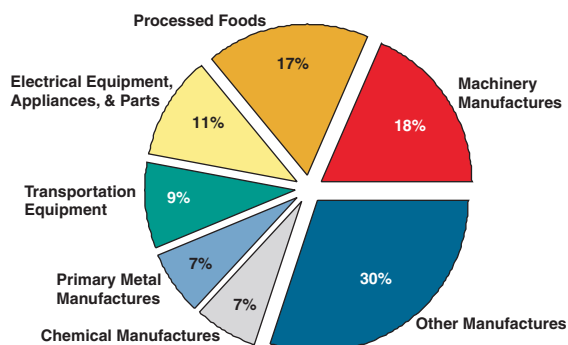
Source: U.S. Department of Commerce, Exporter Location Series.

Among the state's top 25 export destinations, the fastest-growing markets, in percentage terms, are Finland, Jamaica, Sweden, Denmark, and Mexico. Export sales to each of these markets grew by more than 100 percent over the 1997–2000 period.

Arkansas' leading export categories are machinery manufactures (\$366 million in 2000 exports); processed foods (\$349 million); electrical equipment, appliances, and parts (\$219 million); and transportation equipment (\$184 million). Together, these four sectors accounted for 54 percent of the state's total exports in 2000. Other major export products—each with more than \$100

million in 2000 exports—include primary metal manufactures, chemical manufactures, fabricated metal products, and computers and electronic equipment.

ARKANSAS EXPORTS A WIDE RANGE OF MANUFACTURES: \$1.99 BILLION IN 2000



Note: Manufactures are a subcategory of total merchandise exports, which also include mining commodities and unprocessed agricultural products.

Source: U.S. Department of Commerce, Exporter Location Series.

Within Arkansas, the top exporting metropolitan areas are Fayetteville-Springdale-Rogers (1999 export sales of \$478 million), Little Rock–North Little Rock (\$312 million), and Pine Bluff (\$152 million). From 1993 to 1999, the Texarkana area (part of which lies in Arkansas) registered the fastest export growth of any Arkansas metro area, expanding foreign sales by 123 percent. This was the 37th largest percentage increase among the 253 U.S. metro areas for which export statistics are available.

Exports Support Good Jobs

Export-related jobs tend to be good, high-paying jobs. Wages of workers in jobs supported by merchandise exports range 13–18 percent higher than the national average. Export-supported jobs are also more secure: Exporting plants are 9 percent less likely to shut down than comparable nonexporting plants.

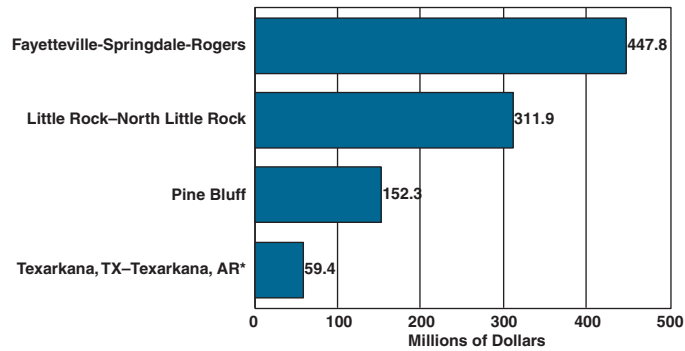
In 1997 (latest available data), Arkansas depended on manufactured exports for 61,700 jobs. Export-supported jobs accounted for an estimated 6.3 percent of Arkansas' total private sector employment.

Manufactured exports supported about 26,700 jobs in Arkansas' manufacturing industries. This was 11.6 percent of the state's manufacturing work force—more than one of every nine manufacturing jobs.

Manufacturing industries with the largest numbers of export-related jobs were machinery, transportation equipment, fabricated metal products, and processed foods. Together, these four industries accounted for more than 44 percent of all export-related jobs in Arkansas manufacturing.

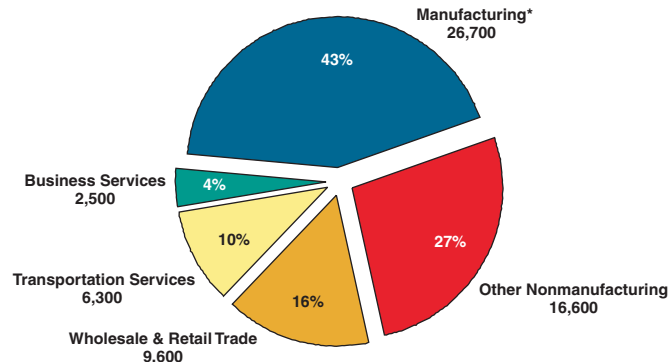
Exports of manufactured goods also indirectly supported 35,000 workers in the state's nonmanufacturing industries. These sectors directly or indirectly supply manufacturers with inputs needed to produce goods for export.

THREE ARKANSAS METRO AREAS POSTED EXPORTS OF \$100 MILLION OR MORE IN 1999



*This metro area partially overlaps into an adjacent state.
Source: U.S. Department of Commerce, Exporter Location Series.

61,700 ARKANSAS JOBS DEPENDED ON MANUFACTURED EXPORTS IN 1997



*Includes 2,700 jobs tied to exports of processed foods.
Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

TRADE PROMOTION AUTHORITY—KEY TO OPENING WORLD MARKETS

U.S. Trade Promotion Authority (also known as TPA or "fast track") is essentially an agreement between the President and Congress on how market-opening trade negotiations will be conducted and agreements approved.

Under TPA, the President involves Congress in trade negotiations from the start; Congress, in exchange, agrees to vote yes or no on any resulting agreement in its entirety, without amendments. The two branches set negotiating objectives and consult during trade talks while inviting public comment. This open process allows problems to be identified and resolved during negotiations, when agreement is most easily achieved.

TPA preserves the ability of the United States to protect public health, safety, and the environment.

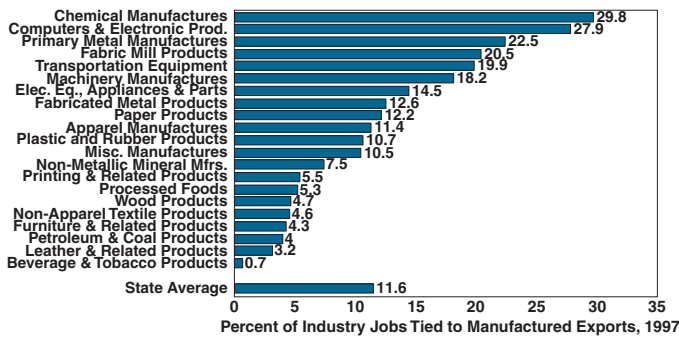
Exports Help Small Business

Exports have broadly benefited Arkansas' businesses—both large and small. A total of 1,456 companies exported from Arkansas locations in 1998. Roughly 69 percent of these companies, accounting for about 25 percent of the state's total exports, were small and medium-sized firms that had fewer than 500 employees. In fact, more than 55 percent of all Arkansas exporters were small firms with fewer than 100 workers.

Foreign Competitors Are Not Standing Still

While previous rounds of trade negotiations were highly successful in reducing trade barriers, much work remains to be done to level the playing field for U.S. businesses. In fact, the United States has fallen behind our trading partners in combating market barriers through free trade agreements. The United

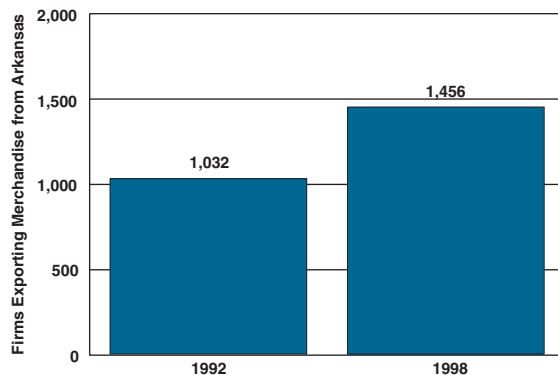
MORE THAN ONE-NINTH OF MANUFACTURING JOBS IN ARKANSAS WERE TIED TO EXPORTS IN 1997



Note: In 1997, 11.6 percent of the 230,200 manufacturing jobs in Arkansas were tied to manufactured exports—some 26,700 jobs. For any given manufacturing sector, export-related employment includes all workers producing goods for export or of inputs to the export manufacturing process.

Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

THE NUMBER OF COMPANIES EXPORTING FROM ARKANSAS ROSE 41 PERCENT FROM 1992 TO 1998



Source: U.S. Department of Commerce, Exporter Data Base.

States is a party to just two of the estimated 130 free trade agreements in force worldwide. In comparison, the European Union has FTAs with 27 countries. Since U.S. tariffs are already low compared to those of our trading partners, the United States has a great deal to gain from future negotiations aimed at prying open foreign markets.

Arkansas Industries Can Gain From Trade Negotiations

Arkansas exporters still face many tariff and nontariff barriers abroad, especially in developing countries. While developing nations are among the most promising markets, they also tend to have high levels of import protection. Trade negotiations aimed at reducing these barriers will significantly benefit Arkansas businesses across many industrial sectors.

Industrial machinery. While Arkansas' industrial machinery exporters have benefited from tariff reductions in previous trade agreements, the industry continues to face barriers in many markets throughout the world. For example, tariffs on industrial machinery are as high as 30 percent in Brazil and India. This sector also suffers from the many import restrictions maintained in potentially lucrative markets, including nontransparent and preferential government procurement practices, deficiencies in intellectual property protection, investment barriers, and the increasing use of standards as nontariff barriers to trade. In addition, restrictions on the ability to provide after-sales service greatly inhibit market access for U.S. manufacturers of complex machinery.

Metals. Canada and Mexico are the largest markets for U.S. metal exports, which already benefit from duty-free access under NAFTA. However, tariff and nontariff barriers remain in other markets, such as the European Union, where the average tariff on nonferrous metals is twice as high as the average U.S. rate. Arkansas metal exporters also face numerous nontariff barriers, such as distribution restrictions.

Chemicals. Arkansas exports a variety of chemical products. TPA would allow the United States to build on duty reductions established under the Uruguay Round

Chemical Tariff Harmonization Agreement (CTHA), which reduced tariffs to harmonized low levels on a

ARKANSAS: WHY TRADE PROMOTION AUTHORITY?

Trade Promotion Authority is critical for removing remaining barriers to exports of Arkansas goods and services.

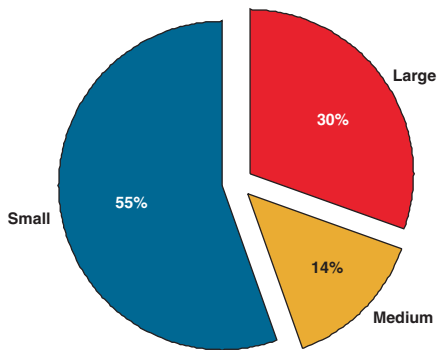
Arkansas exporters still face major trade barriers in sectors like industrial machinery, metals, and chemicals.

With the United States on the sidelines, foreign competitors are forging ahead and pursuing their own market-opening agreements.

Nearly 62,000 Arkansas jobs depend on exports of manufactured goods.

1,456 companies—including 1,013 small and medium-sized businesses—export from Arkansas.

69 PERCENT OF ARKANSAS' 1,456 EXPORTING FIRMS IN 1998 WERE SMALL AND MEDIUM-SIZED ENTERPRISES



Small = less than 100 employees; medium = 100–499 employees; large = 500 or more employees.
Source: U.S. Department of Commerce, Exporter Data Base.

range of products from fertilizers to plastics. Since the end of the Uruguay Round, more advanced developing countries, most of which do not participate in the CTHA, have become increasingly important chemical producers. Tariffs in Asian countries outside the CTHA range up to 60 percent. New negotiations would offer the opportunity to address tariff disparities and the many nontariff barriers facing the chemical industry, including discriminatory product registration, testing/certification, and import licensing requirements.

Agriculture. Arkansas is an important producer and exporter of agricultural products. According to the U.S. Department of Agriculture, Arkansas' farm cash receipts totaled \$5.3 billion in 1999, and it was the 11th largest agricultural exporter, with exports of \$1.2 billion (including processed foods). Since 1991, the state's reliance on agricultural exports has ranged from 23 percent to 31 percent as measured by export's share of farm cash receipts. Arkansas' top agricultural exports are rice, poultry and products, soybeans and products, wheat and products, and cotton.

Arkansas already benefits from past trade agreements. Under the Uruguay Round, Japan opened its market to 375,000 tons of imported rice in 1995, which expanded to a 682,200-ton tariff-rate quota by 2000. Under NAFTA, Mexico converted its import licensing regime for chilled and frozen poultry to a transitional tariff-rate quota that will be phased out by 2003. Under the Uruguay Round, limits were set on subsidized wheat exports, and Mexico eliminated import licensing for wheat and is phasing out tariffs under NAFTA.

However, U.S. agricultural exports still face high tariffs and nontariff barriers worldwide.

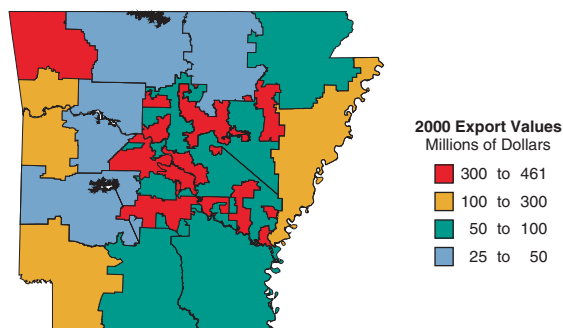
Services. Services are the biggest component of the U.S. economy and now account for more than one-fourth (28 percent) of U.S. exports to the world. Service exports in 2000 totaled \$296 billion; the United States ran a surplus of nearly \$80 billion in services trade with the world. Exportable services include transportation services (e.g., air freight), financial services (e.g., banking, insurance) and business services (e.g., engineering, architecture). Service industries confront a wide range of barriers abroad. Trade Promotion Authority will provide added impetus to the new round of global services trade negotiations now under way to dismantle these barriers.

Imports Also Important to Arkansas

While exports generate clear benefits for the Arkansas economy (jobs, wages, expanded tax base, etc.), the role of imports is less clear—especially since no import statistics are available for states on an end-user basis. Although many often equate imports with “lost” jobs, the reality is usually much more complex. For example, there is no doubt that imports supply critical inputs for many of the goods and services produced in Arkansas, including products destined for export. Imports often play a key role in ensuring supplies of vital materials that are either scarce or simply not available domestically. More generally, imports provide consumers and businesses in Arkansas with wider choice in the marketplace, thereby enhancing living standards and contributing to competitiveness.

EXPORTS ARE SOLD FROM ALL OVER ARKANSAS

Arkansas' Merchandise Exports by Three-Digit Zip Code, 2000



Note: Arkansas' total merchandise exports in 2000 were \$2.1 billion.
Source: U.S. Department of Commerce, Exporter Location Series.